



CO-OPERATIVES UK



Little book of money

Move your money to co-operatives, credit unions and mutuals.

A short guide to why you should move your money to a better bank... and how to do it.



A bank that allows these everyday people to decide how it is run. A bank that invests ethically, rather than speculating recklessly on financial instruments so complex that even the bank's senior executives don't understand how they work.

Taking inspiration from a successful campaign in the US, a new group is running a Move Your Money campaign in the UK, encouraging individuals to switch current and savings accounts to more responsible providers of banking services.

Ten years ago, the idea of moving money from one bank to another might have seemed too complicated. But internet banking makes it much easier than before, and younger people in particular have become used to the idea of switching providers of all kinds of services. As many as 10 million account holders in the US have taken action by moving their money out of big banks and into co-operative banks and credit unions.

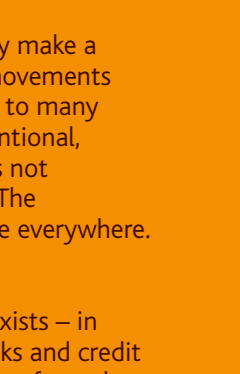
The aim of this booklet is to encourage you to do the same.

Early in 2012 a group of grassroots campaigners launched Move Your Money in the UK – an inspiring new campaign to encourage people to take matters into their own hands by moving their current and savings accounts to ethical banks.

First amongst these banks are co-operatives, mutuals and credit unions which, right across the UK, reinvest every pound for good not bad. At an individual level, you can't do everything to put an unfair economy right – but you can do something.

Move Your Money is the new fair trade. It is THE campaign for our times. This little book, is a short guide to why, where and how you can move your money to a better bank.

Ed Mayo
Secretary General
Co-operatives UK



In the wake of the credit crunch and the financial crisis people everywhere have yearned for more responsible banking like this. People whose jobs have been put at risk, and find it hard to cover their ordinary expenses, look on with horror as investment bank directors collect multi-million pound bonuses.

Occasionally, a few people actually make a fuss. The UK Uncut and Occupy movements have successfully drawn attention to many problems associated with a conventional, plc-based banking sector – but it's not only activists who feel frustrated. The disillusionment is shared by people everywhere.

So it is easy to forget that ethical, membership-led finance already exists – in the form of building societies, banks and credit unions run as co-operatives and free from the whims of the stock market.

Credit unions, building societies and The Co-operative Bank have seen significant customer growth over recent years. Despite the wider economic conditions, the mutual's credit union's revenue has grown by over 33% since 2008, according to thinktank Mutuo.

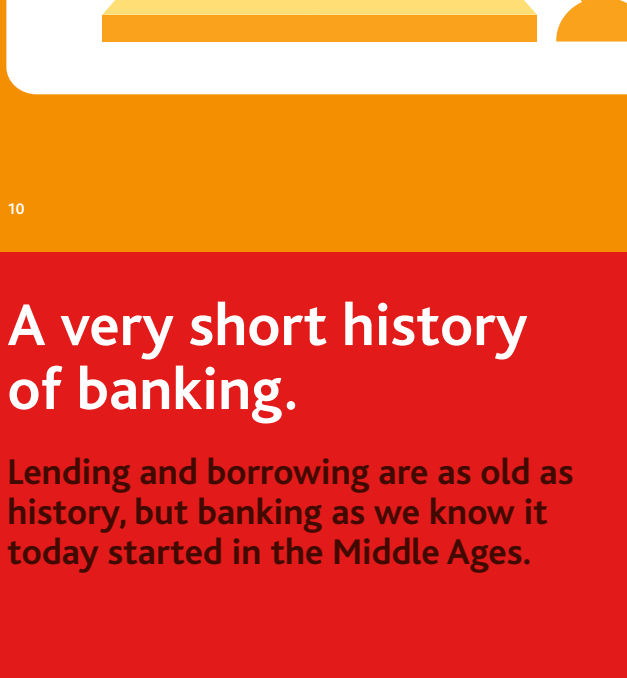
"I had wanted to join a credit union for years because I fully support the fair and ethical values they offer. As an existing Co-operative Bank user, I was keen to put my money into another ethical and fair institution.

"I found the process of setting up a credit union account straightforward and I currently save £100 per month. I transfer money by direct debit and receive regular updates and statements. Credit unions have an interest in human need, and by moving my money to a credit union I can help others have access to funds which may have not have otherwise been available to them."

- Brenda

Why switch?

There are many good reasons to move your current account or savings account from one of the big banks to a credit union or a bank or building society that is owned and managed co-operatively.



But the most important reason to move your money is to make your voice heard, and to stop being part of a banking system that has run amok.



It helps to nurture a more diverse, competitive, responsible and community-oriented banking system by promoting local financial institutions that are generally more willing to reach out to customers overlooked by larger banks.

Not having external shareholders to support, co-operatively run building societies, banks and credit unions can reinvest their profits, and usually offer better rates and charge lower fees.

In big high street banks, pressure to generate dividends for external shareholders can lead to a conflict of interest between those shareholders and customers who've subsequently traded products has led to the loss or transfer of an astounding £32bn from ordinary customers to executives and shareholders in the last five years alone.

Members of co-operative and mutually owned institutions tend to have shared values, or come from a particular area, so investments directly increase economic development in a particular community, and create more jobs.

The big banks gambled with our money, then demanded a stunningly large bailout.

Their sheer size threatens the entire global economic system, but since we bailed them out they've only got bigger.

If government won't step in, then we must move our money ourselves and end 'too big to fail' banking once and for all.

"I'd been with a high street bank for about 15 years when I finally decided I couldn't stay any longer!

"But it wasn't the credit crunch that did it. I was put off by the impersonal service, the bank's huge scale, and a creeping awareness that it was investing in things I didn't like.



As a result, banks such as Northern Rock – which had previously been run proudly as a mutual – began to speculate recklessly as a plc. When it became clear what had been happening, savers rushed to withdraw their deposits and Northern Rock had to be bailed out by taxpayers.

There is nothing wrong with banks making a profit, like any other business. But if a bank is owned by external shareholders, as a plc, it may struggle to balance the interests of those shareholders and its customers. In a mutual bank or credit union, the shareholders are the customers. They're unlikely to invest their money unwisely – or to encourage mis-selling of financial products that customers don't need or can't afford.

To stop that happening again, many countries introduced legislation separating 'investment banks' that speculate on complex financial products from 'retail banks' that deal directly with the public. But in the 1980s, legislators reversed that, allowing universal banks and other large financial organisations to deal with the public and speculate on money markets too.

In 1999, the Co-operative Banking Group launched Smile, an internet-only service for personal banking, and in August 2009 the group merged with Britannia Building Society. Meanwhile, the credit union movement that had started in Germany spread around the world, providing a genuine people's bank for over 188 million customers in 100 countries.

Credit unions operating in Britain today are extremely varied in size, membership and the range of services they offer. Most have a strong regional identity and tend to be closely involved in their local communities, others are for people working for a specific employer, in a particular profession or for those who belong to an association such as a trade union or religious group.

And these aren't the only providers of mutual finance. Others include insurance companies with assets of around £80 billion, and development funds that lend around £200 million a year to individuals, enterprises and charities within particular countries.

What is mutual finance?

An alternative to conventional banking started to appear in the 1700s. Rather than rely on bankers who charged impossibly high rates for borrowing, people got together to combine their savings, and lend to each other in order to build homes or deal with times of difficulty.

But since then, mutuals have flourished.

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"At the time, I'd not even heard of credit unions, and I worried that The Co-operative Bank wouldn't work for me either, because there didn't seem to be any branches near me in north London. But I took the risk, opening a personal account with Smile and a business account with the Co-op.

"The internet service is entirely successful and I can't now imagine why banks still have high street branches. (What do people do in there?) At the same time, I opened an account with my local credit union, because I was amazed to find out how much help their loans can be to people within the local area who otherwise fall prey to loan sharks. I pay in a small amount every month and, when I can afford it, a larger sum too."

- Alex

Some of the merchants most closely involved were goldsmiths, whose secure premises were used to keep people's gold safe. They issued receipts that were subsequently traded between people as paper money. Realising that customers only rarely brought in the paper notes to reclaim their original gold deposit, the banks took a risk by issuing IOUs for more gold than they actually had in reserve. In effect, they were creating new money out of thin air.

As long as people had confidence, the system worked – banks made a profit and customers benefited from easy credit. But if everybody rushed to withdraw their gold at once, the bank was ruined. In the 1930s, about 9,000 banks in the United States failed for this reason, after speculating on riskier stock market transactions. This wiped out about a third of the American money supply.

Building societies were the first mutual finance providers. Not long afterwards came the first credit unions, established in Germany to help farm labourers avoid the clutches of loan sharks when times were hard. And in 1875 the Co-operative Wholesale Society formed a retail 'deposit and loan department' that would eventually become The Co-operative Bank.

In the 1980s, laws were changed to allow building societies to offer a wider range of services, similar to the banks. Soon after, some building societies came under pressure to de-mutualise – to turn themselves into plc companies listed on the stock exchange, with shareholders who were not necessarily customers. As a result, ten societies de-mutualised, taking with them a substantial proportion of building society assets. Sadly, today not one of these former building societies remains independent, having all merged with, or been taken over by, other financial services groups.

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